



“Our goal is to become a US \$65 billion Group by 2015 from US \$30 billion today. We expect your company to contribute significantly to this growth and earnings.”

KUMAR MANGALAM BIRLA

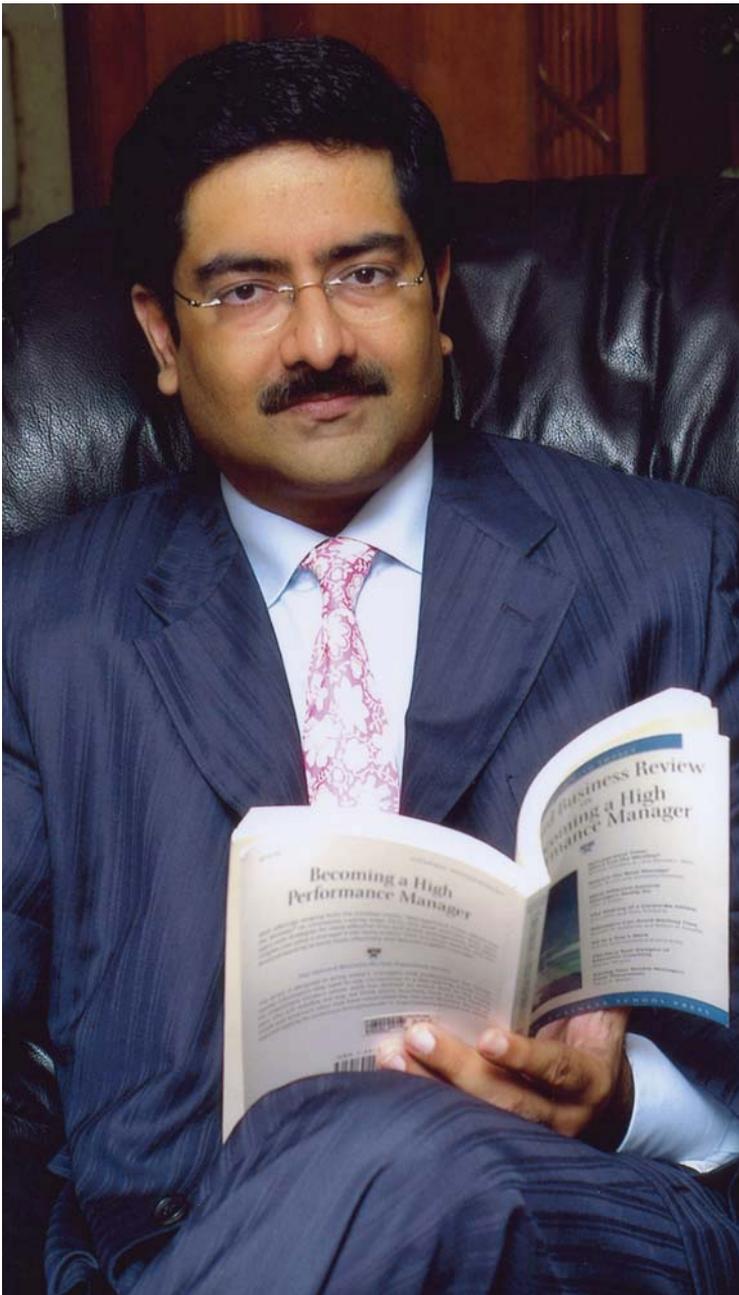


Mr. G. D. Birla and Mr. Aditya Birla, our founding fathers.

We live by their values.

Integrity, Commitment, Passion, Seamlessness and Speed

# THE CHAIRMAN'S LETTER TO SHAREHOLDERS



Dear Shareholder,

The global economy is gradually emerging from the throes of the meltdown of 2008. While growth rates have picked up, it will still be a while to get back to the pre-crisis path. However, the fundamentals of the global economy appear to be reasonably good. The IMF has forecasted a growth of 2.3% for the advanced countries and 6.3% for the emerging economies for 2010. Of all the countries, China's growth has been most impressive. Its economy has recorded a double-digit growth for several quarters. And it continues to surge.

India also is on a strong growth trajectory. Our economy is slated to grow in excess of 8%. Consumer spending is gaining momentum. Private investment is picking up steam. Globally and in India, the trend is encouraging. These impact your Company's growth and performance.

For the Financial Year 2009-10, your Company's performance has been robust. Net Revenue at Rs.20,195 crores is up by 9% over that of the preceding year. Net Profit at Rs.3,096 crores registered a growth of 42%.

A number of strategic initiatives have been taken by your Management in the interest of its multiple stakeholders. As these have been detailed in the 'Management Discussion and Analysis', I will give you a helicopter view.

### **The restructuring of the Cement business**

In the Cement sector, your Company has taken a very significant leap through a restructuring process. It entails the consolidation of the Cement businesses into one single company. Your

*"In the Cement sector, your Company has taken a very significant leap through a restructuring process. It entails the consolidation of the Cement businesses into one single company..... UltraTech will continue to leverage upon the rich parentage of your Company, its holding entity."*

Company's Cement business will be merged with UltraTech, your Company's subsidiary in a phased manner. Hitherto, the Cement business has been demerged into Samruddhi, a wholly owned subsidiary of your Company. Subsequently Samruddhi will be merged with UltraTech. This will catapult your Company's subsidiary UltraTech to the No. 1 cement company in India with an aggregate capacity of 49 million tons, an achievement that is truly laudable.

UltraTech will continue to leverage upon the rich parentage of your Company, its holding entity. This move ensures your company's majority stake in and continued support to the rapidly growing cement business. At the same time it provides of all you as shareholders, the opportunity to participate directly in UltraTech – a pure play cement company. Undoubtedly, this restructuring would lead to a better rating for both your Company and UltraTech.

### **Cement: Audacious growth plans**

Our growth plans in Cement are aggressive. The sector offers enormous potential for us. The Government's accelerated spending on infrastructure and the overall appetite for housing will continue to spike cement demand. It might interest you to learn that the Planning Commission, in the mid-term

appraisal of the 11<sup>th</sup> Plan, has envisaged an expenditure of over Rs.20 trillion on infrastructure. This will be spent during the 11<sup>th</sup> Plan period.

As the market leader, your Company will be in the forefront. We plan to add at least 25 million tons of capacity by 2015 at a capex of US \$ 3 billion. This is imperative to maintain our market share. In the near future, Brownfield expansions of over 10 million tons will be added to our current capacities. Our intent is to further scale our presence.

Besides a leadership position in India, we aspire to have a formidable presence in the Indian Ocean rim. As a step in this direction, your Company is acquiring ETA Star Cement Company, Dubai, together with its operations in the UAE, Bahrain and Bangladesh. The acquisition is expected to be completed shortly. It will, I believe, be a springboard for cement business in the Middle East. It is also in line with our long-term strategy of expanding our global presence.

### **VSF: Moving up the value chain**

In the **VSF** sector, we as a Group, are globally the largest player with capacities currently standing at 700,000 tons. With the commissioning of Line 2 in China and the debottlenecking at Indo Bharat Rayon in Indonesia, an additional 45,000 tons will come through soon. Work on the 80,000 tons Greenfield project at Vilayat is at the pre-project stage. We expect its commissioning in 2013. By then, we would move to 8,23,000 tons per annum. Of this your Company's share will be 4,14,000 tons

In this business, alongside further backward integration, to bolster our low cost manufacturing competitive edge, we are increasingly moving up the value chain through bringing in innovative products that signal the changing contours of the Pulp and Fibre business. Incidentally, with the strong revival of the fibre market, our VSF plants have been consistently operating at full capacity.

We have seen how the acquisition of Pulp Mills has been of strategic advantage. It has given us greater control over a critical resource. Looking ahead, I believe,

*"In the VSF sector, we as a Group, are globally the largest player ..... we are increasingly moving up the value chain through bringing in innovative products that signal the changing contours of the Pulp and Fibre business."*

securing of pulp will play a key role in strengthening our business. I am pleased to record that the plantation over 7,000 hectares of land in Laos, has been completed so far.

### **Outlook: Bright**

In sum, both VSF and Cement businesses are doing your Company proud. These now stand on the cusp of the next phase of growth.

Both these Companies viz. Grasim and UltraTech have very strong Balance Sheets with virtually no debt net of surplus funds, and can well support your Company's audacious growth plans. The outlook is bright.

### **To our teams**

I very warmly want to thank all of our colleagues in Grasim for their immense contribution to your Company's praiseworthy performance. I look forward to their continued commitment to your Company's reaching greater heights and enhancing shareholder value.

### **The Aditya Birla Group in perspective**

Today, we are a multicultural, multinational, multidimensional Group anchored by over 1,30,000 employees, belonging to 30 nationalities, across 6 continents. Our Group turnover is a little over US \$ 29 billion. Our leadership across several levels is fleet of foot, flexible enough to adapt to the ever changing environment, and ambitious enough to dream audaciously.

Our goal is to become a US \$ 65 billion Group by 2015 from US \$ 30 billion today. We expect your Company to contribute significantly to this growth and earnings.

To attain this bold and ambitious vision, we have launched a series of people centered strategies. I believe, the best of goals can only fruition if we have the best of people and harness people potential, irrespective of positions.

As the Group continues to expand globally, exploring and seizing opportunities, we have accelerated the pace of offerings to our intellectual capital. Our endeavour is to provide them with unparalleled

*"Both VSF and Cement businesses are doing your Company proud. These now stand on the cusp of the next phase of growth."*

opportunities, dynamic challenges, a rewarding professional career and a sense of fulfillment on the personal front. This is a priority area. To take this forward, we launched our employee value proposition. Simply put, it is **“a world of opportunities”**. It entails the reinforcement of a four pronged approach.

**Firstly**, offering exciting career prospects that give employees a leeway to chart their own growth trajectory.

**Secondly**, intensifying learning processes that hone existing skills. Transcending it, we have taken the learning to a higher stage where talented employees are able to convert knowledge into action through exposure to the best global minds. For example, this year at **Gyanodaya**, our benchmarkable Institute of Management Learning, more than 500 colleagues at senior levels participated in specially designed, intellectually stimulating, innovative focused programmes. These related to globalization, leadership, innovation and getting far beyond the mind of the customer. These were conducted in collaboration with the best in class faculty from International Business Schools and consulting organizations. Among these feature, The Ross School of Business, The Duke University, UCLA (all from USA), ISB (Hyderabad), The Hay Group and Mercer Consulting.

It might interest you to learn that this year as well over a 1,000 executives enlisted for different learning sessions. Gyanodaya’s virtual campuses reached out to more than 13,500 learners through its e-learning courses and webinars.

**Thirdly**, as part of our concerted efforts towards a sharp organizational focus and alignment in the talent management processes, across the businesses, we put in place critical differentiators. Besides linking rewards to performance, special performance incentives, international assignments, and Group-wide recognition programmes have been set in motion.

**Fourthly**, promoting enriched living by encouraging talent to look beyond just professional enhancement and to work toward building a wholesome, balanced life.

*“Our leadership across several levels is fleet of foot, flexible enough to adapt to the ever changing environment, and ambitious enough to dream audaciously.”*

I believe, our Employee Value Proposition also helps to create an enabling environment that sets people up for success, enthuses in them the drive to excel, achieve and push back the frontiers of excellence.

**Finally**, I am delighted to share with you that in a comprehensive global study of organizational leadership across the world, conducted by The Hewitt Associates, in partnership with The RBL Group and Fortune Magazine (2009) on "Top Companies for Leaders to engage in", our Group, was adjudged "The 6th great place for leaders in the Asia Pacific Region". That of 177 companies who participated in this study, we should have been chosen is indeed a great achievement. Their critical assessment criteria included strength and depth of leadership practices, culture, examples of developing world class leaders, business performance and company reputation. On all counts, we are on course.

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Yours sincerely,



Kumar Mangalam Birla

# GRASIM INDUSTRIES LIMITED

## BOARD OF DIRECTORS

Mr. Kumar Mangalam Birla - Chairman  
 Mrs. Rajashree Birla  
 Mr. M.L. Apte  
 Mr. B.V. Bhargava  
 Mr. R.C. Bhargava  
 Mr. Arun Kanti Dasgupta  
 Mr. Cyril Shroff  
 Mr. S.G. Subrahmanyam  
 Mr. Shailendra K. Jain  
 Mr. D.D. Rathi  
 Mr. Adesh Gupta, Whole-Time Director  
 Mr. K.K. Maheshwari, Whole-Time Director

## Chief Financial Officer

Mr. Adesh Gupta

## Company Secretary

Mr. Ashok Malu

## Statutory Auditors

M/s G.P. Kapadia & Co., Mumbai  
 M/s Deloitte Haskins & Sells, Mumbai

## Branch Auditors

M/s Vidyarthi & Sons, Gwalior

## Solicitors

M/s Amarchand & Mangaldas & Suresh A. Shroff & Co.  
 M/s Mulla & Mulla and Craigie, Blunt & Caroe

## EXECUTIVES

### Fibre & Pulp Business

Mr. K.K. Maheshwari Business Director  
 Mr. S.K. Saboo Advisor, Chairman's Office  
 Dr. Prakash Maheshwari Chief Operating Officer (India) & Head (Projects)  
 Mr. Vijay Kaul Chief Marketing Officer & Head (Pulp Operations)  
 Mr. Sunay B. Kamat Executive President, Birla Cellulosic, Kharach  
 Mr. Rajendra Jain Executive President, Harihar

### Cement Business

Mr. O.P. Puranmalka Business Head  
 Mr. R.K. Shah Group Executive President & CMO (Mfg. & Projects)  
 Mr. S.N. Jajoo Chief Marketing Officer  
 Mr. K.C. Birla Sr. Executive President (Finance)

### Chemical Business

Mr. Lalit Naik Business Head  
 Mr. K.C. Jhanwar Sr. Executive President  
 Mr. G.K. Tulsian Executive President

### Textile Business

Mr. Pranab Barua Business Head

### Corporate Finance Division

Mr. Pavan K. Jain Executive President

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**Registered Office: Birlagram, Nagda 456 331 (M.P.)**  
[www.grasim.com](http://www.grasim.com)/[www.adityabirla.com](http://www.adityabirla.com)

# FINANCIAL HIGHLIGHTS - CONSOLIDATED

Year —>	Unit	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
<b>Production</b>									
Viscose Staple Fibre	Tonnes	302092	232745	279901	246833	228981	247952	221005	224610
Grey Cement	Mn. Tonnes	37.02	32.18	31.22	29.98	28.43	26.13	12.60	11.91
Ready Mix Concrete	Mn. Cu Mtrs	3.87	3.85	2.84	1.57	1.07	1.08	0.83	0.61
White Cement	Tonnes	514291	441118	407882	364649	350174	315368	310578	310163
Sponge Iron	Tonnes	77069	420156	562000	525183	505825	780341	687272	612879
<b>Turnover</b>									
Viscose Staple Fibre	Tonnes	308431	238463	269781	250725	242399	231533	229110	227900
Grey Cement	Mn. Tonnes	37.29	32.65	31.45	30.06	28.60	26.31	12.71	11.98
Clinker	Mn. Tonnes	2.29	2.31	2.13	2.50	1.46	2.93	0.15	0.21
Ready Mix Concrete	Mn. Cu Mtrs	3.87	3.85	2.84	1.57	1.07	1.08	0.83	0.61
White Cement	Tonnes	509054	438394	396295	367167	347500	311454	314819	305223
Sponge Iron *	Tonnes	75427	423414	557187	571127	478291	772799	676921	612425
Rs. in Crores									
<b>Profit &amp; Loss Account</b>									
Net Sales		19933	18297	16973	14069	10224	9292	5490	4890
Other Income		536	447	463	318	268	245	247	139
PBIDT		6322	4779	5422	4290	2337	2272	1540	1149
Interest		334	307	222	229	219	284	195	213
Gross Profit (PBDT)		5988	4472	5200	4061	2118	1988	1345	936
Depreciation		995	865	670	610	563	556	306	285
Profit before Tax, Exceptional & Extraordinary Items		4993	3607	4530	3451	1555	1432	1039	651
Exceptional Items		-	-	46	-	4	-129	1	-169
Profit before Tax & Extraordinary Items		4993	3607	4576	3451	1559	1303	1040	482
Current Tax <sup>5</sup>		1213	551	1473	1097	434	483	291	192
Deferred Tax		357	441	-7	-5	-32	-41	11	-29
Net Profit before Extraordinary Items		3423	2615	3110	2359	1157	861	738	319
Extraordinary Items		336	-	236	-	-	-	-	-
Net Profit before Minority Interest		3759	2615	3346	2359	1157	861	738	319
Less: Minority Interest		714	444	457	392	116	-19	-	-
Add: Share in Profit / (Loss) of Associate		51	16	2	-0.4	-	-	-	-
Net Profit after Minority Interest		3096	2187	2891	1967	1041	880	738	319
Rs. in Crores									
<b>Balance Sheet</b>									
Gross Fixed Assets (incl. CWIP) #		21717	21041	19258	14481	11927	11312	6333	6061
Net Fixed Assets (incl. CWIP) #		14553	14216	12918	8468	6411	6294	3549	3596
Investments		6676	3550	1661	2272	1352	769	2342	1609
Goodwill		2007	2001	1991	1844	1773	1958	122	120
Deferred Tax Assets		-	-	-	-	4	3	32	35
Net Current Assets		649	943	609	859	652	674	366	439
		<b>23885</b>	<b>20710</b>	<b>17179</b>	<b>13443</b>	<b>10192</b>	<b>9698</b>	<b>6411</b>	<b>5799</b>
Equity Share Capital		92	92	92	92	92	92	92	92
Other Share Capital		36	33	29	6	43	43	42	42
Employee Stock Options Outstanding		14	12	6	-	-	-	-	-
Reserves & Surplus #		12383	11418	9048	6460	4698	3947	3224	2630
Net Worth		12525	11555	9175	6558	4833	4082	3358	2764
Minority Interest		3755	1670	1269	859	514	500	-	-
Deferred Tax Liability		2006	1592	1158	1153	1162	1182	634	627
Loan Funds		5599	5893	5577	4873	3683	3934	2419	2408
		<b>23885</b>	<b>20710</b>	<b>17179</b>	<b>13443</b>	<b>10192</b>	<b>9698</b>	<b>6411</b>	<b>5799</b>
# Excluding Revaluation Reserve		-	3	4	4	4	5	5	6
<b>Ratios &amp; Statistics</b>									
PBIDT Margin	(%)	30.9	25.5	31.1	29.8	22.3	23.8	26.8	22.8
Interest Cover (PBIDT-Current Tax/Interest) ^	(x)	13.9	10.7	13.1	13.3	8.7	6.3	6.4	4.5
ROACE (PBIT/Avg.CE)	(%)	23.9	20.7	31.0	31.1	17.8	21.3	20.2	15.3
RONW (PAT/Avg. NW) <sup>55</sup>	(%)	22.9	21.1	33.2	34.5	23.3	27.1	24.1	18.2
Debt Equity Ratio (Gross)	(x)	0.34	0.45	0.53	0.66	0.69	0.86	0.72	0.87
Basic Earning per Share <sup>55</sup>	Rs./ Share	300.9	238.5	284.5	214.6	113.1	110.0	80.4	53.2
Book Value per Share	Rs./ Share	1366	1260	1001	715	527	445	366	301

\* Sponge Iron business sold effective from 22nd May, 2009

\$ Net of excess provision for tax / Income tax refund related to earlier years written back

^ Includes interest capitalised

\$\$ Excluding exceptional / extraordinary items